2010 ECONOMIC AND FINANCIAL PROFILE OF QUÉBEC

Québec

This document is produced by the ministère des Finances
12, rue Saint-Louis, bureau 2.08
Québec (Québec) G1R 5L3

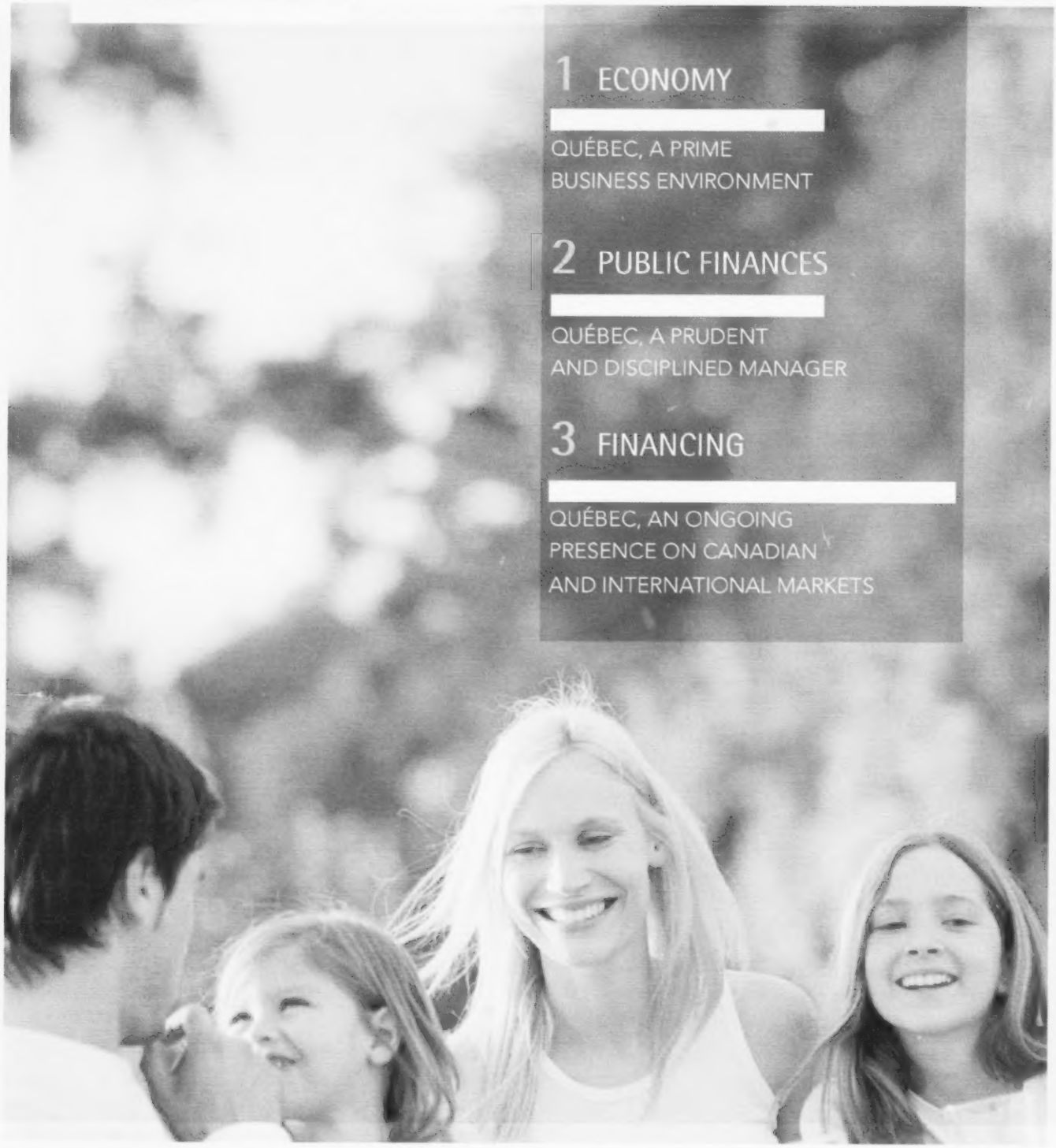
For information, contact:
Secrétariat général et coordination ministérielle
Phone: 418 691-2250
Fax: 418 646-0923
Email: sri@finances.gouv.qc.ca

This document is available on the Web at:
www.finances.gouv.qc.ca
Subscription available

Legal deposit
Bibliothèque et Archives nationales du Québec
June 2010
ISBN 978-2-550-59071-2 (Print)
ISBN 978-2-550-59072-9 (PDF)

© Gouvernement du Québec

SECTIONS



1 ECONOMY

QUÉBEC, A PRIME BUSINESS ENVIRONMENT

2 PUBLIC FINANCES

QUÉBEC, A PRUDENT AND DISCIPLINED MANAGER

3 FINANCING

QUÉBEC, AN ONGOING PRESENCE ON CANADIAN AND INTERNATIONAL MARKETS

QUÉBEC IN **2010**

TODAY'S QUÉBEC

A DYNAMIC ECONOMY, A VAST TERRITORY, ABUNDANT NATURAL RESOURCES, A VIBRANT CULTURE, RIGOROUS MANAGEMENT OF PUBLIC FINANCES, EXCEPTIONAL AND QUALIFIED PEOPLE.

1.

QUÉBEC'S GROSS DOMESTIC PRODUCT IS MORE THAN $300 BILLION, REPRESENTING ALMOST 20% OF CANADA'S ECONOMY.

2.

THE LARGEST PROVINCE IN CANADA BY SURFACE AREA, QUÉBEC RANKS SECOND ON THE BASIS OF POPULATION WITH 7.8 MILLION PEOPLE.

3.

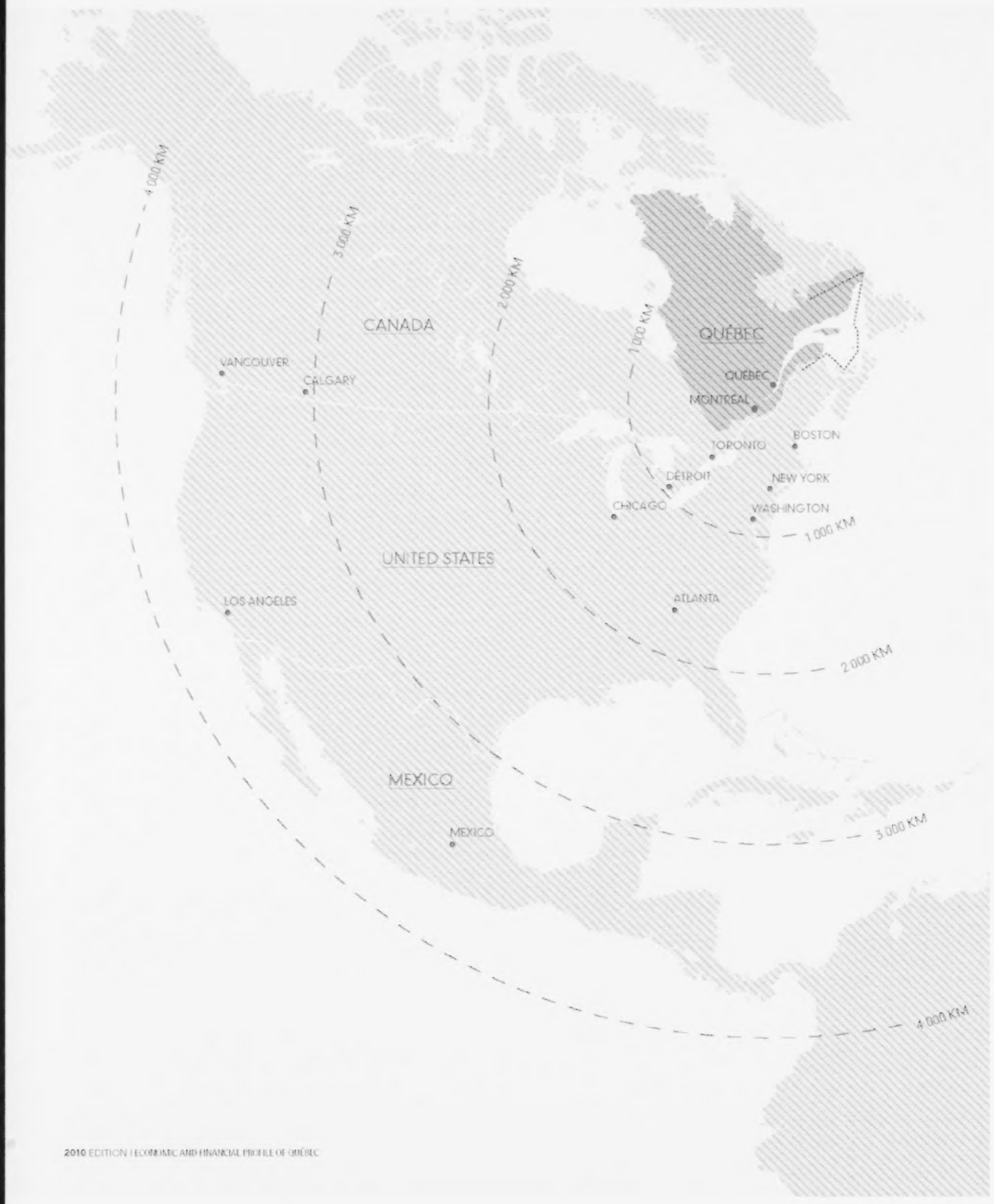
A NATURAL GATEWAY TO THE NORTH AMERICA, QUÉBEC OFFERS, THROUGH ITS PARTICIPATION IN THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA), A PREFERRED ACCESS TO A MARKET OF 450 MILLION CONSUMERS.

4.

INVESTING IN QUÉBEC MEANS TAKING ADVANTAGE OF A HIGHLY EDUCATED WORKFORCE, COMPETITIVE TAX TREATMENT FOR INVESTMENT, AND LOW BUSINESS LOCATION AND OPERATING COSTS.

5.

THE QUÉBEC GOVERNMENT DECIDED TO SUPPORT THE ECONOMY DURING THE RECESSION EVEN IF THAT MEANS DEFICITS, BUT IT HAS BROUGHT FORWARD A PLAN TO RETURN TO BALANCED BUDGETS TO ELIMINATE THE DEFICIT BY 2013-2014.


4 000 KM
3 000 KM
2 000 KM
1 000 KM
CANADA
QUÉBEC
VANCOUVER
CALGARY
QUÉBEC
MONTRÉAL
TORONTO
BOSTON
DETROIT
NEW YORK
CHICAGO
WASHINGTON
1 000 KM
UNITED STATES
LOS ANGELES
ATLANTA
2 000 KM
MEXICO
MEXICO
3 000 KM
4 000 KM

ECONOMY

SECTION 1

A LAND OF GROWTH AND INVESTMENT

6 Economic Outlook

7 An Economy Driven by its Human Capital

8 An Economy Focused on High Technology

10 An Innovative Economy

11 A Competitive Economy

12 An Economy Open to the World

13 A Diversified Economy with Recognition Abroad

14 Sustainable Development

15 Hydro-Québec

ECONOMIC OUTLOOK

The economy is expected to grow 2.3% in 2010, driven in particular by:

- recovery in consumer spending;
- government actions to support investment in public infrastructure;
- increased U.S. demand for Québec products.

In 2011, the expected acceleration in business investment will stimulate economic growth in Québec, which should amount to 2.6%.

THIS RECOVERY WILL LEAD TO THE CREATION OF 38 700 JOBS IN 2010 AND 41 600 IN 2011.

ECONOMIC RECOVERY IS WELL UNDERWAY

Economic recovery is well underway in Québec.

After three quarters of decline, real GDP growth resumed in the third quarter of 2009.

Québec has withstood the global economic crisis better than its major trading partners, since:

- in 2009, real GDP in Québec declined 1.4%, in contrast to a drop of 2.5% in Canada and 2.4% in the United States;
- employment has recovered faster in Québec than in Canada and the United States.

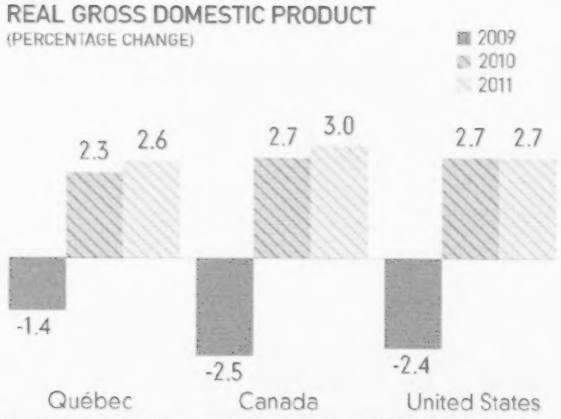
ECONOMIC INDICATORS

(PERCENTAGE CHANGE)

QUÉBEC	2009	2010	2011
Real Gross domestic product	-1.4	2.3	2.6
Gross domestic product	0.4	4.0	4.5
Consumption	0.6	2.3	1.8
Housing starts (thousands)	43.4	44.6	42.7
Non-residential investments	-5.5	3.9	6.4
Total exports	-11.4	4.0	4.5
Unemployment rate	8.5	8.5	8.4
Job creation (thousands)	-37.5	38.7	41.6
Consumer price index	0.6	2.0	2.9
CANADA	**2009**	**2010**	**2011**
Treasury Bills (3 months)	0.4	0.6	1.7
Bonds (10 years)	3.3	3.8	4.5
Canadian dollar (in US cents)	87.9	98.2	99.8

REAL GROSS DOMESTIC PRODUCT

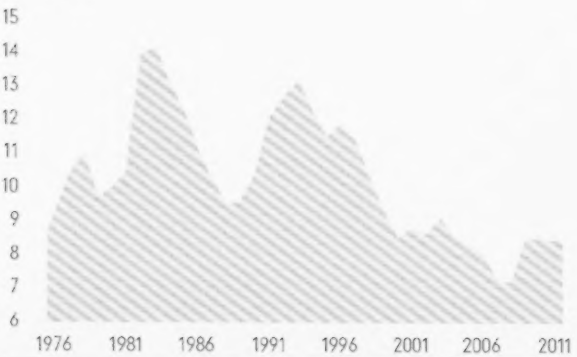
(PERCENTAGE CHANGE)



SOURCES: IHS GLOBAL INSIGHT, INSTITUT DE LA STATISTIQUE DU QUÉBEC, STATISTICS CANADA AND MINISTÈRE DES FINANCES DU QUÉBEC.

UNEMPLOYMENT RATE

(PER CENT)



SOURCES: STATISTICS CANADA AND MINISTÈRE DES FINANCES DU QUÉBEC.

AN ECONOMY DRIVEN BY ITS HUMAN CAPITAL

AN EDUCATED WORKFORCE

Québec has an educated workforce:

- 76% of workers in Québec have a secondary school diploma or better;
- 18% of the working age population holds a university degree.

AN ECONOMY THAT WELCOMES QUALIFIED WORKERS

In 2009, Ontario and Québec signed a trade agreement to strengthen the common economic space they share in central Canada.

The agreement includes a section devoted to labour mobility.

- A worker certified by a regulatory organization of either province for a trade or profession is automatically considered certified in the other province.

This approach adopted by Québec and Ontario is known as "permit for permit".

This agreement covers 35 professions and 26 trades.

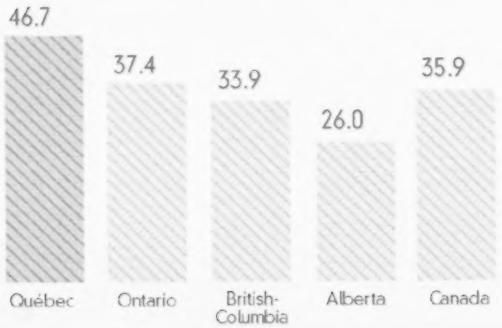
Since the signing of the October 2008 Québec-France Agreement on mutual recognition of professional qualifications:

- the National Assembly of Québec has passed a law allowing the implementation of this historic agreement;
- 22 arrangements for mutual recognition of professional qualifications have been signed;
- the European Commission hopes the agreement will be extended throughout Canada and the European Union.

ALMOST HALF OF QUÉBEC'S POPULATION SPEAKS TWO LANGUAGES OR MORE.

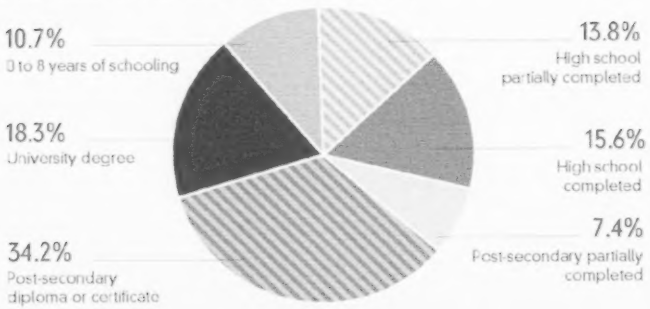
- 36% OF QUÉBEC'S POPULATION IS FLUENT IN TWO LANGUAGES AND 11% IS TRILINGUAL.
- QUÉBEC'S POPULATION IS THE MOST MULTI-LINGUAL OF ALL CANADA'S PROVINCES.
- QUÉBEC RECEIVES OVER 40 000 IMMIGRANTS A YEAR FROM EVERY COUNTRY, CONTRIBUTING TO THE DIVERSITY OF QUÉBEC'S CULTURE.

KNOWLEDGE OF TWO OR MORE LANGUAGES 2006 CENSUS
(PERCENTAGE OF THE TOTAL POPULATION)



SOURCE: STATISTICS CANADA, 2006 CENSUS.

DISTRIBUTION OF QUÉBEC'S WORKFORCE BY LEVEL OF SCHOOLING – 2009
(PERCENTAGE OF THE POPULATION AGE 15 OR OVER)



SOURCE: STATISTICS CANADA.

AN ECONOMY FOCUSED ON HIGH TECHNOLOGY

LIFE SCIENCES

Life sciences sector encompass the pharmaceutical industry and the biotechnology industry.

The pharmaceutical industry employs more than 8 000 people in Québec. Québec accounts for over one third of Canada's output of pharmaceutical products and drugs.

The world's eight largest pharmaceutical multinationals have research and manufacturing centres in Québec.

Québec ranks fourth in North America in the biotechnology sector. More than half the biotechnology firms in Québec specialize in human health.

- An innovator in the field of ozone sterilization of medical instruments in hospitals, TSO3 Inc. received a notice of compliance in 2010 allowing the sale of its new sterilization system within the European Union.

Moreover, many Québec biotechnology companies develop processes to improve human nutrition, farm and agri-food techniques, and add value to industrial waste.

- Marinard Biotech markets a premium-quality chitosan, under the Kitomer™ brand, resulting from the processing of shrimp.

AEROSPACE

Aircraft and parts account for almost one fifth of the volume of Québec's international exports of goods.

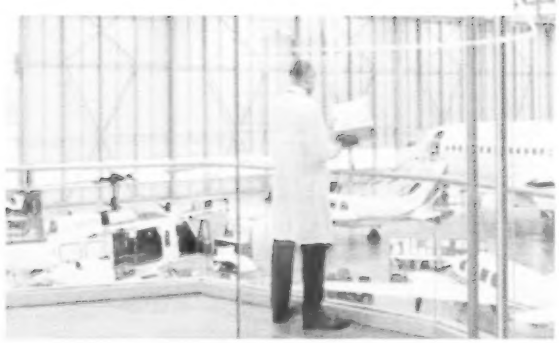
The aeronautics industry employs more than 22 000 workers in Québec. The sector had sales of some $10.6 billion in 2009.

- More than 50% of Canada's aeronautics workforce is in Québec.
- Québec accounts for close to 70% of Canadian shipments of aeronautics products.

Québec's aeronautics industry includes almost 100 companies specialized in making airplanes, helicopters, engines, parts and flight simulators.

- Bombardier Aerospace, the regional and business jet market leader, launched the manufacturing program for the new CSeries aircraft in 2008.
  - CSeries aircraft will be the most environmentally-friendly in their category, consuming two litres of fuel per passenger per 100 km.
- The new industry standard, the CSeries family of aircraft is expected to enter service in 2013.

BOMBARDIER HAS ALREADY ANNOUNCED SEVERAL CONTRACTS FOR THE PURCHASE OF AIRCRAFT IN THE CSERIES FAMILY, FOR A TOTAL VALUE OF $6 BILLION.



ENVIRONMENTAL TECHNOLOGIES

The current economic situation favours the development of a world-class environmental industry since during the past year many countries have brought forward economic recovery plans that include substantial investment in infrastructure and green technologies.

Québec's expertise in green technology is recognized on the international environmental market.

Many Québec companies have developed unique green technologies that earned them an enviable position on the international environmental market.

- In 2009, Enerkem was named one of 50 best companies in the bioenergy sector by Biofuels Digest.
  - The company has developed a unique gasification technology platform for processing solid waste and industrial residues into second generation biofuels.
- Specializing in integrated systems for drinking water production and water recycling, H_2O Innovation won the prestigious Deloitte Technology Green 15™ in 2009 because of its major innovations in the field of green technology.

PHOTONICS

Québec's photonic sector includes innovative companies that have developed specialized technology that sets them apart from their international competitors.

- The scientific instrumentation company Photon produced the prototype of the world's most sensitive astronomical camera, the ultra-sensitive EMCCD camera, and has developed a commercial version.
- EXFO is one of the world's largest suppliers of testing and monitoring solutions for network operators and makers of telecommunications equipment.
  - In 2009, EXFO launched the fastest optical sampling oscilloscopes on the market.

NASA ACQUIRED THE FIRST COMMERCIAL VERSION OF THE ULTRA-SENSITIVE EMCCD CAMERA DEVELOPED BY PHOTON.

MULTIMEDIA

One of Québec's multimedia industry's areas of excellence is undoubtedly entertainment software.

The Montréal region hosts major video game companies recognized throughout the world: A2M, Ubisoft, THQ, Warner Bros., Electronic Arts, Eidos Interactive and Gameloft.

- Industry giant Warner Bros. Interactive Entertainment has chosen to open a high-end interactive game, 3D digital animation and cinematics studio in Montréal.
- The region will also develop a centre of excellence for quality assurance and facilities for the adaptation and translation of its products into various languages.

With its creative workforce specialized in digital media and its well-known universities, Québec is the perfect place to design new products.

AN INNOVATIVE ECONOMY

A LEADER AMONG INDUSTRIALIZED COUNTRIES

In 2007, Québec allocated 2.6% of its GDP to R&D, the highest level of all the Canadian provinces.

- It also exceeds the average rate in OECD countries, the G7 and the European Union.

R&D SPENDING: QUÉBEC STANDS OUT

R&D spending is growing faster in Québec than in the other Canadian provinces.

- Since 1983, R&D spending in Québec, expressed as a percentage of GDP, has grown by an average of 3.8% per year compared with 2.0% for Ontario and 1.5% for Canada as a whole.
- Since 1995, Québec has been the province that, as a proportion of its GDP, has posted the highest level of R&D spending in Canada.

TAX TREATMENT THAT ENCOURAGES INNOVATION

Corporate R&D expenditures enjoy favourable tax treatment.

- It is the most competitive in Canada for SMEs and among the most advantageous of the G7 countries for large enterprises.

In the 2010-2011 Budget, the government announced investments of $1.1 billion over three years for research and innovation, including:

- updating and extending Québec research and innovation strategy programs;
- launching three catalyst technology demonstration projects in the aeronautics, forestry, and electric vehicles sectors.

GROSS DOMESTIC EXPENDITURES ON R&D – 2007
(PERCENTAGE OF GDP)

Québec	2.6
Canada	1.9
Ontario	2.3
G-7	2.5
OECD	2.3
European Union	1.8

SOURCE: INSTITUT DE LA STATISTIQUE DU QUÉBEC.

VENTURE CAPITAL: A STRATEGY THAT IS PRODUCING RESULTS

Québec has adopted an aggressive strategy to develop a more diversified venture capital industry with a greater emphasis on private financing.

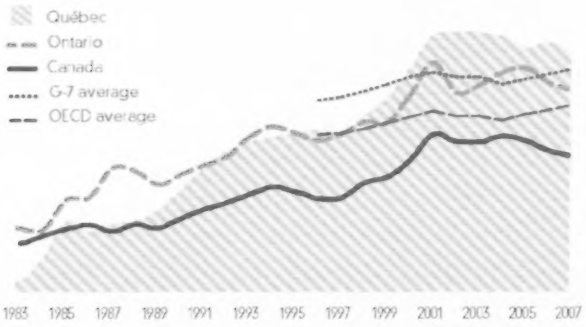
The strategy has made it possible to diversify available sources of financing for Québec technology companies and the results are convincing.

- In 2009, Québec ranked first in terms of money invested in venture capital in Canada. The $432 million invested in Québec accounted for 42% of total funds invested in Canada during the year.
- From 2002 to 2009, the share of private or foreign investment in venture capital financing in Québec rose from 49% to 60%.

To consolidate the change in direction made regarding venture capital, government announced major measures in the 2009-2010 Budget:

- an $825-million venture capital financing fund;
- $125 million for the creation of three seed funds.

GROSS DOMESTIC EXPENDITURES ON R&D
(PERCENTAGE OF GDP)



SOURCE: INSTITUT DE LA STATISTIQUE DU QUÉBEC.

NET AFTER-TAX COST OF AN R&D EXPENDITURE[1, 2]
(DOLLARS)

1 Income needed to cover an R&D expenditure of $1 for a large company. The lower the index, the more favorable the situation.
2 Rate in effect on January 1, 2010 for Québec. Rates in effect in 2008 for the various countries.

SOURCES: OECD SCIENCE, *TECHNOLOGY AND INDUSTRY OUTLOOK 2008* AND MINISTÈRE DES FINANCES DU QUÉBEC.

A COMPETITIVE ECONOMY

LOW BUSINESS LOCATION AND OPERATING COSTS

Compared to the major industrialized countries, Québec's business location and operating costs are low.

According to the most recent figures, these costs are 3.0% lower than the Canadian average, 8.1% lower than in the United States and 6.5% below the average of the G7 countries.

In particular, Québec stands out with competitive labour costs as well as a competitive tax system.

A COMPETITIVE TAX SYSTEM FOR INVESTMENT

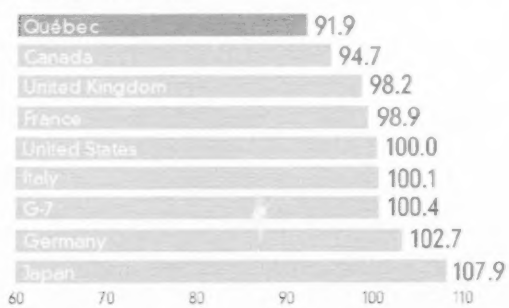
Companies in Québec operate under a globally competitive tax system for new investments.

The tax rate on investment in Québec is below the average rates of the United States and the G7 countries. Moreover, it is one of the lowest in Canada, mainly due to:

- a tax rate on business profits among the lowest in North America;
- the rebate of the Québec sales tax on capital goods;
- the elimination of the tax on capital, since 2008, for manufacturing businesses and by January 1, 2011, for all businesses;
- an investment tax credit of 5% on acquisitions of manufacturing and processing equipment.

INDEX OF BUSINESS LOCATION AND OPERATING COSTS[1]

(UNITED STATES = 100)



1 Average of 12 activity sectors.

SOURCES: KPMG *2010 COMPETITIVE ALTERNATIVES* MODEL AND MINISTÈRE DES FINANCES DU QUÉBEC.

MARGINAL EFFECTIVE TAX RATES ON INVESTMENT[1]

(PER CENT)

1 METRs are indicators of the impact of the tax system on new investments. They represent the effect of all tax expenses and rules affecting the return on capital invested. They take into account the tax on capital, sales tax, corporate income tax, depreciation rules and rates, and accounting methods for inventory.

SOURCES: MINISTÈRE DES FINANCES DU QUÉBEC AND C.D. HOWE INSTITUTE.

AN ECONOMY OPEN TO THE WORLD

AN ECONOMY INTEGRATED WITH THE NORTH AMERICAN MARKET

Québec enjoys a unique geographical situation. Under the Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA), Québec is integrated into a market of more than 450 million consumers.

- Since the FTA came into effect, Québec's international exports have grown from 20% of GDP in 1988 to 29% in 2009.

In addition, Québec is one of the major gateways to the Americas.

Québec has more than 3 000 km of coastline. The St-Lawrence River, estuary and gulf, which form the St-Lawrence Seaway, provide preferred access for the export and import of products for North America.

QUÉBEC EXPORTS THROUGHOUT THE WORLD

Exporters have developed many business connections throughout the world.

- Almost 70% of international exports are shipped to the United States.
- European countries receive 15.6% of Québec's exports, i.e. average annual growth of 6.5% from 2004 to 2009.
- Asia ranks third among destinations, receiving 6.4% of Québec's exports.

QUÉBEC'S NEW ECONOMIC SPACE

PARTNERSHIP WITH THE EUROPEAN UNION

Since May 6th 2009, Québec and the other provinces have continued to work with the federal government to reach an economic partnership agreement with the European Union.

FRANCE-QUÉBEC AGREEMENT

In 2008, Québec entered into an agreement with France on mutual recognition of professional qualifications.

TRADE AGREEMENT WITH ONTARIO

Québec entered into an expanded agreement with Ontario on trade and labour mobility in 2008.

THE NORTHERN PLAN

The Québec government maintains its commitment to make northern Québec a new economic space and an example of sustainable development with the Northern Plan, a development project that seeks to enhance this exceptional territory.

QUÉBEC IS A WORLD LEADER ON MANY MARKETS

Québec is known internationally for the vitality of its aeronautics industry.

- From 1989 to 2009, exports of aircraft and parts gained 6.7% per year on average.

In 2009, aircraft and parts accounted for 19.1% of Québec's international exports of goods.

Québec is the world's third largest producer of primary aluminum.

- Québec's production capacity amounts to 3.1 million tonnes per year.

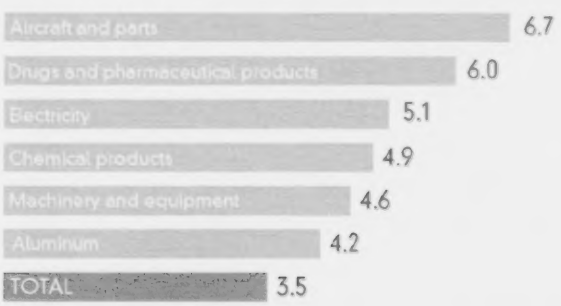
QUÉBEC'S PORTS

Québec has five international ports. In particular:

- the Port of Montréal is the most direct intermodal link between the industrial heart of North America and markets of northern Europe and the Mediterranean;
- the port of Québec, known for its international cruise activities, was awarded the "Best Destination Experience" prize in 2010 by Dream World Cruise Destinations magazine, the fourth time it has won the prize since 2004;
- the port of Sept-Îles is the largest ore port in Canada.
  - In 2009, construction began on a cruise ship dock that, beginning in fall 2010, will accommodate vessels with more than 2 500 passengers and 315 meters long.

AVERAGE ANNUAL GROWTH IN INTERNATIONAL EXPORTS OF GOODS – 1989-2009

(PER CENT)



SOURCE: INSTITUT DE LA STATISTIQUE DU QUÉBEC.

BREAKDOWN OF INTERNATIONAL EXPORTS OF GOODS BY REGION – 2009

SOURCE: INSTITUT DE LA STATISTIQUE DU QUÉBEC.

A DIVERSIFIED ECONOMY WITH RECOGNITION ABROAD

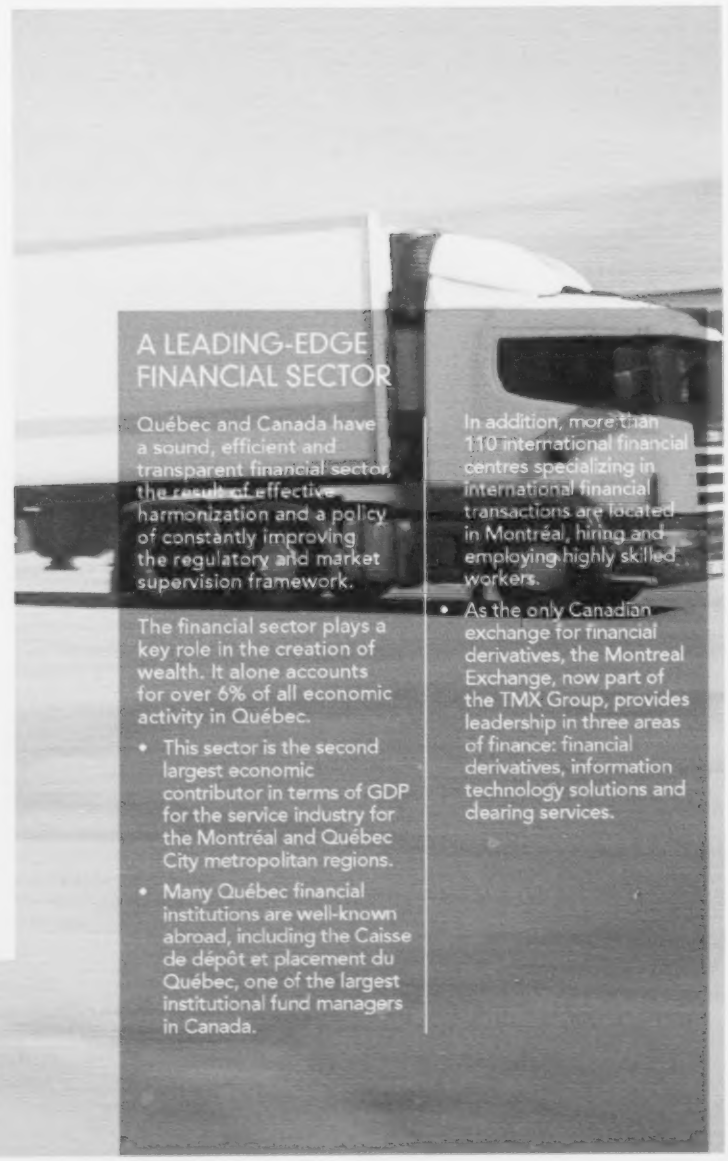
QUÉBEC'S DIVERSITY

The many facets of Québec's territory make it the most diversified economy in Canada. Its industrial diversity index is 100.4 whereas, with the exception of Ontario and Manitoba, all the provinces of Canada have an index below 90.0.

Québec is divided into 17 administrative regions.

Each one possesses a unique potential. Many regional features position Québec as a leader in North America and the world.

- Abitibi-Témiscamingue is known the world over for its abundant deposits of precious metals, copper and zinc.
- Bas-Saint-Laurent has earned a reputation for maritime expertise and stands out in the marine biotechnology sector.
- Saguenay–Lac-Saint-Jean is a major player in aluminum production.
- Montréal is known throughout the world in the fields of life sciences and video games.



A LEADING-EDGE FINANCIAL SECTOR

Québec and Canada have a sound, efficient and transparent financial sector, the result of effective harmonization and a policy of constantly improving the regulatory and market supervision framework.

The financial sector plays a key role in the creation of wealth. It alone accounts for over 6% of all economic activity in Québec.

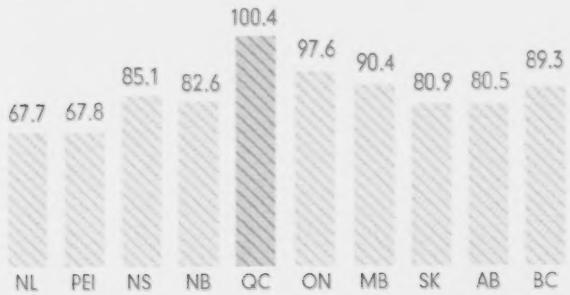
- This sector is the second largest economic contributor in terms of GDP for the service industry for the Montréal and Québec City metropolitan regions.
- Many Québec financial institutions are well-known abroad, including the Caisse de dépôt et placement du Québec, one of the largest institutional fund managers in Canada.

In addition, more than 110 international financial centres specializing in international financial transactions are located in Montréal, hiring and employing highly skilled workers.

- As the only Canadian exchange for financial derivatives, the Montreal Exchange, now part of the TMX Group, provides leadership in three areas of finance: financial derivatives, information technology solutions and clearing services.

INDUSTRIAL DIVERSITY INDEX BY PROVINCE – 2009[1]

(CANADA = 100)



Note: An index close to 100 means that the economy of the province in question is as diversified as that of Canada.
1 Preliminary estimates.

SOURCE: COMPILATION BY THE MINISTÈRE DU DÉVELOPPEMENT ÉCONOMIQUE, DE L'INNOVATION ET DE L'EXPORTATION DU QUÉBEC USING STATISTICS CANADA'S BUSINESS REGISTER.

IMPORTANCE OF THE FINANCIAL SECTOR IN MONTRÉAL AND QUÉBEC CITY – 2007

(AS A % OF SERVICE INDUSTRY GDP BY METROPOLITAN REGION)

Montréal Region	
Economic activities	(% of GDP)
Real estate services and corporate management	15.4
Finance, insurance and leasing	10.0
Health care and social assistance	9.8
Wholesale trade	9.0
Retail trade	8.1

Québec Region	
Economic activities	(% of GDP)
Public administration	17.7
Finance, insurance and leasing	12.2
Health care and social assistance	11.3
Real estate services and corporate management	11.3
Retail trade	8.6

SOURCE: INSTITUT DE LA STATISTIQUE DU QUÉBEC.

SUSTAINABLE DEVELOPMENT

FOREST RESOURCES

A country of lakes and rivers, Québec is also a land of forests. Québec's forests account for 20% of Canada's and 2% of the world's forests.

Québec's forests are managed responsibly.

- Québec's forests are managed to ensure their long-term viability and sustainable development.
- The forest industry is putting innovation and creativity to work with the development and marketing of high value-added products.

MINING RESOURCES

Today, Québec ranks among the world's leading producers of iron, zinc, nickel, silver and gold.

According to an international survey of mining companies in 2009-2010 conducted by the Fraser Institute, Québec offers the best environment for mining investment in the world.

- Québec, ranked first, offers the best mining policies.
- Québec ranks first in Canada and third in the world for its mineral potential.

A WINNING STRATEGY

For Hydro-Québec, the policy directions of Québec's energy strategy mean:

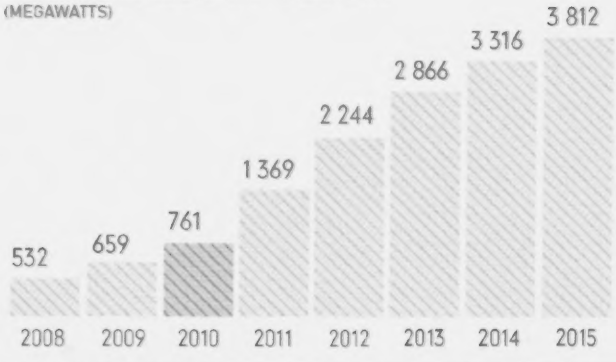
- gradual integration into Hydro-Québec's network of some 4 000 megawatts of wind-power supply;
- the creation of a portfolio of hydroelectric projects totaling over 4 500 megawatts including the Romaine River project whose installed capacity of 1 550 megawatts will produce eight terawatthours of power every year, equivalent to the consumption of a city of 480 000 households;
- continuation of work on hydroelectric projects to increase production capacity. This includes in particular the Eastmain-1-A–Sarcelle–Rupert generating stations. This project will add 918 megawatts to Hydro-Québec's production capacity, which currently stands at 36 810 megawatts, and will generate 8.7 terawatthours per year;
- implementation of an overall energy efficiency plan producing annual energy savings of 4.3 terawatthours to date and 11 terawatthours by 2015.

QUÉBEC'S ENERGY STRATEGY FOR 2006-2015 IS DECIDEDLY FOCUSED ON THE DEVELOPMENT OF CLEAN ENERGY, I.E. HYDROELECTRICITY AND WIND POWER.

RANKING OF PLACES WITH THE BEST MINING POLICIES – 2009-2010
(INDEX MAXIMUM = 100)

SOURCE: FRASER INSTITUTE.

GROWTH OF INSTALLED WIND POWER CAPACITY – 2008-2015
(MEGAWATTS)



SOURCE: MINISTÈRE DES RESSOURCES NATURELLES ET DE LA FAUNE DU QUÉBEC.

HYDRO-QUÉBEC

A PILLAR IN FAVOUR OF SUSTAINABLE DEVELOPMENT IN QUÉBEC

Created in 1944, Hydro-Québec is a government corporation whose sole shareholder is the Québec government.

Hydro-Québec produces, transmits and distributes electricity. It develops essentially renewable energy, hydro-electricity in particular. It supports the development of wind power through its purchases from private producers.

For a number of years, it has promoted energy efficiency and implemented programs that produce energy savings for its customers.

In 2009, water power accounted for 98% of energy production. This is a green and renewable source of energy with a high degree of development flexibility and a very small greenhouse gas footprint.

In 2009, the Eastmain-1-A-Sarcelle-Rupert took a major step forward with the coming on stream of the Rupert diversion, which will add 5.3 terawatthours to the annual production of the La Grande generating station, James Bay. Hydro-Québec has completed commissioning of the last turbine-alternator groups at the Chute-Allard and Rapides-des-Coeurs generating stations in Mauricie and has initiated preliminary studies to build two generating stations on the Petit-Mécatina River, located on the Basse-Côte-Nord.

Hydro-Québec operates the most extensive electricity transmission network in North America for the benefit of its customers in Québec and elsewhere.

It trades electricity with the networks of neighbouring provinces and the northeastern United States.

In 2009, Hydro-Québec brought on stream the first two components of the 1 250-megawatt interconnection with Ontario, i.e. the Outaouais station and the 230-kilovolt line that connects this converter station to the Ontario network. When completed in 2010, the interconnection will deliver larger volumes of electricity to Ontario and beyond, to the State of New York and the U.S. Midwest. Hydro-Québec has also continued discussions with U.S. carriers on the construction of a 1 200-megawatt interconnection with New England.

LA ROMAINE GENERATING COMPLEX

HYDRO-QUÉBEC BEGAN WORK ON THE LA ROMAINE HYDROELECTRIC COMPLEX IN MAY 2009. THIS $6.5-BILLION PROJECT CALLS FOR THE CONSTRUCTION OF FOUR GENERATING STATIONS WITH A CAPACITY OF 1 550 MEGAWATTS ON THE ROMAINE RIVER, NORTH OF HAVRE-SAINT-PIERRE, IN MINGANIE. THE FACILITY IS FORECAST TO PRODUCE 8 TERAWATTHOURS PER YEAR ON AVERAGE. OVER THE COMING YEARS, THE ROMAINE COMPLEX WILL BE THE LARGEST CONSTRUCTION PROJECT IN CANADA.

WORK WILL CONTINUE UNTIL 2020. AT ITS PEAK, BETWEEN 2012 AND 2016, MORE THAN 2 000 WORKERS WILL BE ON SITE.

HYDRO-QUÉBEC – 2009 HIGHLIGHTS

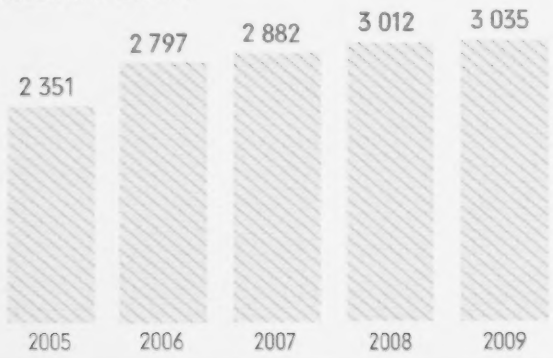
(MILLIONS OF DOLLARS)

Income	12 334
Earnings from continuing operations	5 035
Net earnings	3 035
Total assets	68 978
Staff level (persons)	23 616
Installed capacity (megawatts)	36 810

SOURCE: HYDRO-QUÉBEC, 2009 ANNUAL REPORT

INCOME FROM CONTINUING OPERATIONS

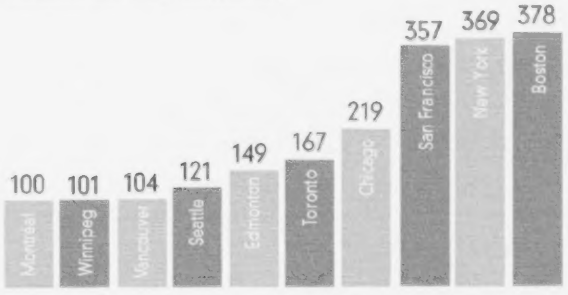
(MILLIONS OF DOLLARS)



SOURCE: HYDRO-QUÉBEC, 2009 ANNUAL REPORT.

COMPARATIVE INDEX OF ELECTRICITY PRICES RESIDENTIAL CUSTOMERS

(CONSUMPTION 1 000 KWH/MONTH)



Note: Monthly invoices excluding taxes. Rates in force April 1, 2009.

SOURCE: *HYDRO-QUÉBEC, COMPARISON OF ELECTRICITY PRICES IN MAJOR NORTH AMERICAN CITIES, 2009*

PUBLIC FINANCES

SECTION 2

A GOVERNMENT DETERMINED TO MAINTAIN SOUND MANAGEMENT OF PUBLIC FINANCES

18 Responsible Management of Public Finances

21 Consolidating Recovery

22 The Generations Fund: a Positive Step for our Future

RESPONSIBLE MANAGEMENT OF PUBLIC FINANCES

KEEPING TO THE TARGET OF RETURNING TO BALANCED BUDGETS BY 2013-2014

Now that the recovery is well underway, the government is firmly committed to restoring order to public finances to return to balanced budgets by 2013-2014. This represents a collective effort of $12.3 billion, of which more than 90% has already been identified.

The government's share of the effort amounts to $6.9 billion, represents 62% of the total effort and breaks down as follows:

- $5.2 billion from reducing the growth in spending of departments and organizations;
- $530 million resulting from spending control in public organizations;
- $1.2 billion from efforts to combat tax evasion and tax avoidance.

Taxpayers are being asked to shoulder 38% of the total effort:

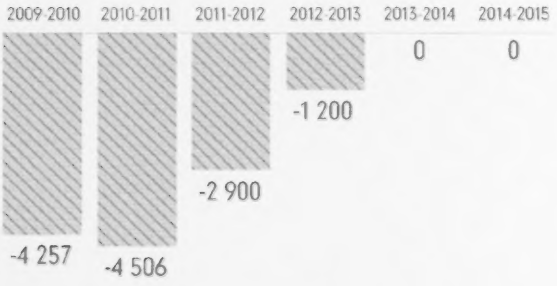
- $3.5 billion from individuals:
  - a rise in the QST rate from 7.5% to 8.5% on January 1, 2011 and from 8.5% to 9.5% on January 1, 2012;
  - rise in the fuel tax of 1 cent per litre on April 1 of each year from 2010 to 2013;
  - general health contribution of $25 per adult in 2010, $100 in 2011 and $200 as of 2012;
- $796 million from businesses:
  - temporary increase in the compensatory tax on financial institutions;
  - revision of the mining duties regime.

BUDGET DEFICITS: IMPROVEMENT BEGINNING IN 2011-2012

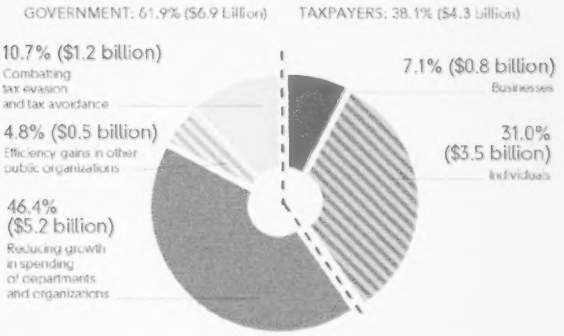
After a historic financial crisis and a severe recession, the global economy has resumed growing. Moreover, Québec's economy was more resistant than its main partners.

- Despite a deficit of $4.5 billion in 2010-2011, the government's budgetary situation will improve beginning in 2011-2012, when the forecast deficit will drop by $1.6 billion, to $2.9 billion, equivalent to 0.9% of PIB.

A RETURN TO BALANCED BUDGETS BY 2013-2014
(MILLIONS OF DOLLARS)



STIPULATED EFFORT IN THE PLAN TO RETURN TO BALANCED BUDGETS



SUMMARY OF CONSOLIDATED BUDGETARY TRANSACTIONS – 2010-2011 BUDGET

(MILLIONS OF DOLLARS)

	PRELIMINARY FIGURES	FORECASTS		PROJECTIONS		
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Budgetary revenue	62 650	64 489	65 936	68 480	70 941	73 652
% change	0.4	2.9	2.2	3.9	3.6	3.8
Budgetary expenditure	66 923	- 69 551	- 71 748	- 74 041	76 283	79 028
% change	2.9	3.9	3.2	3.2	3.0	3.6
Net results of consolidated entities	598	697	848	926	852	1 038
Contingency reserve	- 300	- 300	—	—	—	—
Impact of the Plan to return to balanced budgets	—	1 051	3 036	4 496	5 613	5 880
SURPLUS (DEFICIT)	**- 3 975**	**- 3 614**	**- 1 928**	**- 139**	**1 123**	**1 542**
Payments to the Generations Fund						
- Dedicated revenues	- 715	- 892	- 972	- 1 061	- 1 123	- 1 227
- Rise in the price of heritage pool electricity	—	—	—	—	—	- 315
Stabilization reserve	433	—	—	—	—	—
BUDGETARY BALANCE WITHIN THE MEANING OF THE BALANCED BUDGET ACT	**- 4 257**	**- 4 506**	**- 2 900**	**- 1 200**	**0**	**0**

CONTROLLING SPENDING

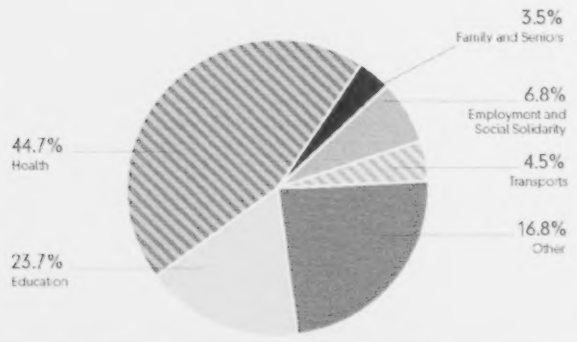
The Québec government has good control of its spending.

- Program spending growth in Québec averaged 4.8% from 2003-2004 to 2009-2010 compared to 7.6% for the other provinces of Canada.

To achieve a balanced budget in 2013-2014, the government is setting up, as of 2010-2011, an action plan to further reduce spending growth.

- Program spending growth will be limited to 3.2% in 2010-2011 and 2.8% from 2011-2012 to 2013-2014, i.e. until the budget is back in balance.
  - Taking the implementation of the health contribution into account, growth in program spending will amount to 2.9% in 2010-2011 and 2.2% annually until 2013-2014.

PROGRAM SPENDING BY DEPARTMENT – 2010-2011



PROVIDE ADEQUATE FUNDING OF THE HEALTH SYSTEM WHILE MAINTAINING ALL OTHER GOVERNMENT MISSIONS

In the years to come, all government departments will have to contribute to the collective effort to return to balanced budgets. However, despite significant spending restraint, the government continues to invest in its essential missions, including health and education.

The government is allocating 45% of its program spending to the health sector in 2010-2011.

- The health budget is up $988 million, an increase of 3.7%.
- New sources of funding, chiefly a new health contribution that will be paid directly to health institutions, will help maintain 5% annual growth in total health expenditure.
- The forecast level of spending, coupled with the measures to improve the performance of the health system, will ensure both quality health services and the maintenance of other government missions.

Education accounts for 24% of the government's program spending in 2010-2011.

- This year, education spending is increasing by $316 million, a rise of 2.2%.

THE CANADIAN FEDERATION

Québec is part of Canada, a federation created in 1867.

The jurisdictions of the federal government and the ten provinces are defined in the Constitution.

- The federal government is responsible for international trade, national defence, currency, monetary policy and employment insurance, among other things.
- The provinces have exclusive jurisdiction in many fields including health, education, social services and municipal affairs.

The various orders of government in Canada collect revenue equivalent to 33% of GDP, of which:

- 44% is collected by the federal government;
- 56% is collected by provincial governments and local administrations (municipalities and school boards).

DIVERSIFIED REVENUE SOURCES

THE QUÉBEC GOVERNMENT'S REVENUE COMES FROM TWO SOURCES:

- OWN-SOURCE REVENUE (76.2%);
- FEDERAL TRANSFERS (23.8%).

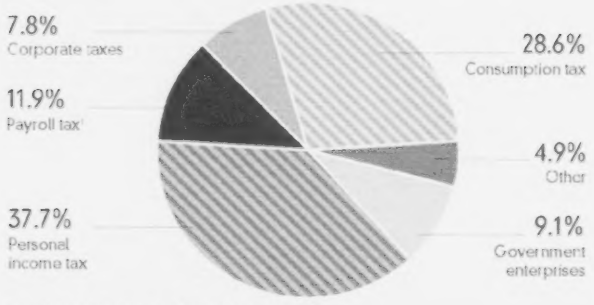
MOST OF OWN-SOURCE REVENUE IS DERIVED FROM THE PERSONAL INCOME TAX (37.7%) AND TAXES ON CONSUMPTION (28.6%).

IN ADDITION, QUÉBEC IS ONE OF THE SIX PROVINCES THAT RECEIVE TRANSFER PAYMENTS UNDER THE FEDERAL EQUALIZATION PROGRAM. THESE PAYMENTS ACCOUNT FOR MORE THAN HALF OF FEDERAL TRANSFERS TO QUÉBEC.

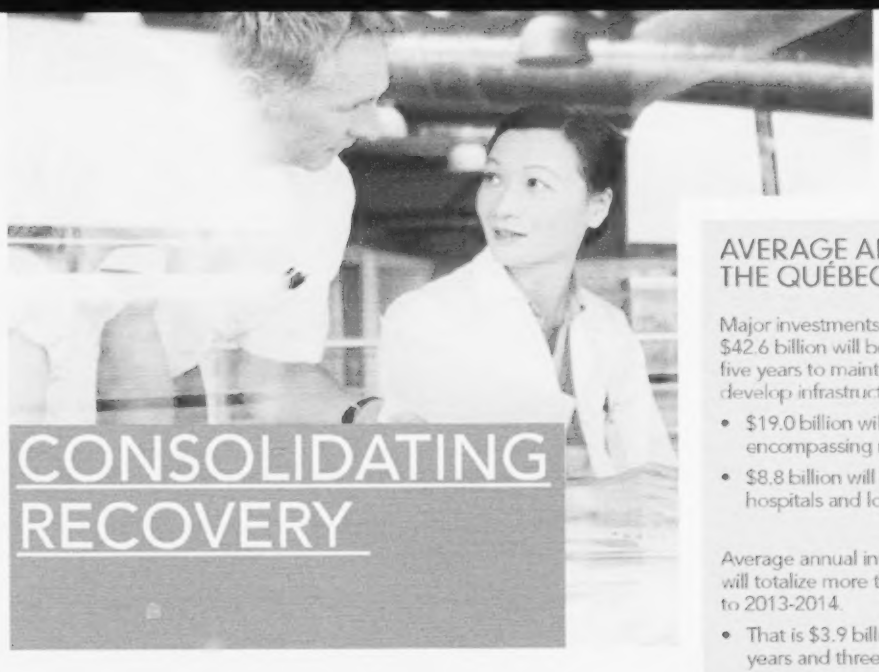
- QUÉBEC AND THE NINE OTHER PROVINCES ALSO RECEIVE TRANSFERS FOR SOCIAL PROGRAMS SUCH AS HEALTH CARE AND POST-SECONDARY EDUCATION.

FEDERAL TRANSFERS – 1980-1981 TO 2010-2011
(AS A PERCENTAGE OF BUDGETARY REVENUE)

THE GOVERNMENT'S OWN-SOURCE REVENUE – 2010-2011
(BY SOURCE)



1 Contributions to the Health Services Fund.



CONSOLIDATING RECOVERY

AVERAGE ANNUAL INVESTMENTS UNDER THE QUÉBEC INFRASTRUCTURES PLAN

MODERN, QUALITY INFRASTRUCTURES

Major investments amounting to $42.6 billion will be made over the next five years to maintain, improve and develop infrastructures including:

- $19.0 billion will be invested in transportation infrastructures, encompassing roads and public transit;
- $8.8 billion will be invested in health infrastructures, including hospitals and long-term care residential centres.

Average annual investments under the Québec Infrastructures Plan will totalize more than $8.5 billion over the period from 2009-2010 to 2013-2014.

- That is $3.9 billion more per year than during the five preceding years and three times more than 10 years ago.

RECOVERY PLAN: A TOTAL INJECTION OF $15 BILLION

In 2009 and 2010, over $15 billion will be injected into the economy, equivalent to 4.9% of GDP, allocated as follows:

- $4.0 billion to fund additional and immediate measures to support businesses and workers;
- $8.2 billion to improve public infrastructures;
- $845 million to support households, in particular by more generous indexing of the personal income tax system and assistance of last resort benefits;
- $1.1 billion to reduce the corporate tax burden, in particular through rate cuts in 2009 and 2010 under the plan to eliminate the tax on capital;
- $846 million to prepare Québec for economic recovery.

Relatively speaking, the efforts made by Québec compare favourably with those of Canada, which also adopted an economic intervention plan representing 4.8% of GDP.

CONTINUING THE RECOVERY PLAN

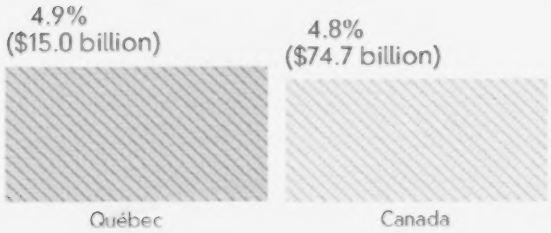
In 2009, the government directly contributed to the economy's good performance by injecting $6.8 billion. That produced tangible benefits.

To consolidate the recovery, the Québec government is pursuing the efforts already undertaken.

It is deploying the second half of the recovery plan by committing the $8.2 billion stipulated for 2010.

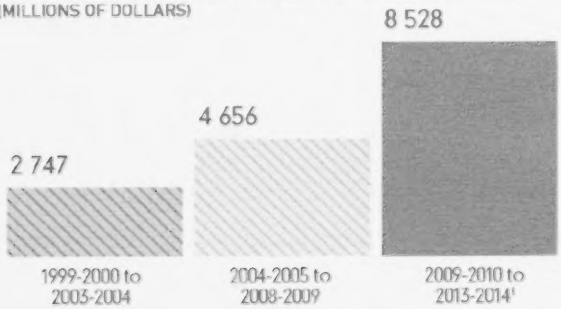
The government is enhancing the recovery plan with initiatives targeting regions and sectors most affected by the recession.

COMPARISON OF GOVERNMENT ACTIONS
(AS A PERCENTAGE OF GDP)



Note: Includes fiscal and budgetary, infrastructure investments and cash resources injected to support the economy.

AVERAGE ANNUAL INVESTMENTS BY THE QUÉBEC GOVERNMENT IN FIXED ASSETS
(MILLIONS OF DOLLARS)



1 Included in Québec's cash resources injection plan.

SOURCES: MINISTÈRE DES FINANCES DU QUÉBEC AND DEPARTMENT OF FINANCE CANADA, BUDGET 2010.

THE GENERATIONS FUND: A POSITIVE STEP FOR OUR FUTURE

DEBT REPAYMENT: A PRIORITY FOR THE GOVERNMENT DESPITE THE CHALLENGING ECONOMIC SITUATION

Despite the deficit situation, the government is reiterating its commitment to continue working to reduce the debt. In this regard, it intends to:

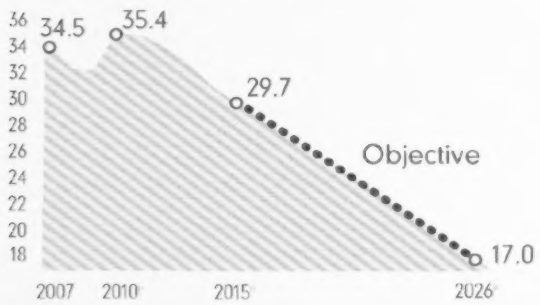
- maintain its payments to the Generations Fund;
- step up, as of 2014-2015, debt reduction efforts by paying into the Generations Fund the amounts from the price rise in heritage pool electricity;
- carry out a review of its debt reduction objectives.

The ratio of debt representing accumulated deficits to GDP is targeted at 17% in 2026, compared with 35.4% at March 31, 2010.

The ratio of the gross debt GDP is targeted at 45% in 2026, compared with 53.2% at March 31, 2010.

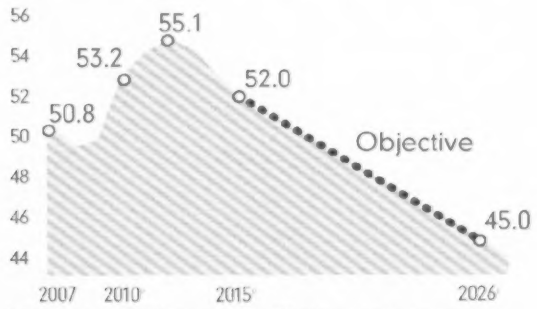
These are maximum limits.

DEBT REPRESENTING ACCUMULATED DEFICITS
(AS AT MARCH 31, AS A PERCENTAGE OF GDP)



P: Preliminary results for 2010, forecasts for 2011 to 2015 and projections for subsequent years.

GROSS DEBT[1]
(AS AT MARCH 31, AS A PERCENTAGE OF GDP)



P: Preliminary results for 2010, forecasts for 2011 to 2015 and projections for subsequent years.
1 Excludes pre-financing.

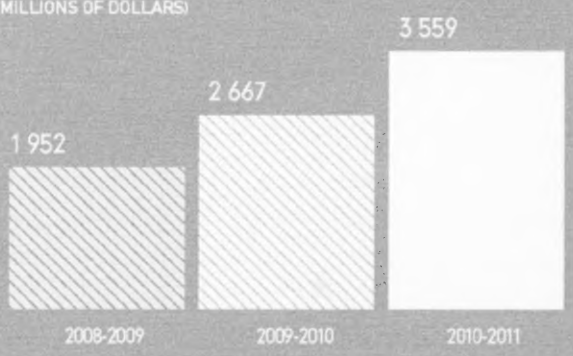
BANKING ON WATER, QUÉBEC'S BLUE GOLD

THE CHIEF SOURCE OF FINANCING FOR THE GENERATIONS FUND, CREATED IN 2006, IS ROYALTIES FROM A RESOURCE QUÉBEC HAS IN ABUNDANCE: WATER.

- IN 2009-2010, IN EXCESS OF $658 MILLION IN WATER-POWER ROYALTIES WERE PAID INTO THE FUND BY HYDRO-QUÉBEC AND PRIVATE PRODUCERS OF ELECTRICITY.
- THE GRADUAL INCREASE, STARTING IN 2014-2015, OF 1 ¢ PER KILOWATTHOUR IN THE PRICE OF HERITAGE POOL ELECTRICITY OVER A FIVE-YEAR PERIOD WILL RESULT IN ADDITIONAL ANNUAL REVENUE OF APPROXIMATELY $1.6 BILLION BY 2018-2019.
- THE TOTAL PAYMENTS TO THE GENERATIONS FUND, INCLUDING MONEY FROM THE PRICE RISE IN HERITAGE POOL ELECTRICITY, WILL REACH $2.4 BILLION IN 2018-2019.

AS AT MARCH 31, 2010, THE GENERATIONS FUND STOOD AT $2.7 BILLION. IT SHOULD REACH $3.6 BILLION BY MARCH 31, 2011.

THE GENERATIONS FUND[P]
(MILLIONS OF DOLLARS)



P: Preliminary results for 2009-2010 and forecasts for subsequent years.

FINANCING
SECTION 3

A STRATEGY OF DIVERSIFYING SOURCES OF FINANCING

26 Financing Programs

27 High Credit Quality

28 A Major Issuer on the Canadian Market

29 A Regular Presence on International Markets

30 Debt Management

31 An Ongoing and Recognized Presence on International Markets

FINANCING PROGRAMS

CONSOLIDATED REVENUE FUND AND FINANCING FUND

The financing program is designed essentially to:

- repay maturing borrowings;
- contribute to the sinking funds for future payment of retirement benefits and future employee benefits to public and parapublic sector employees;
- make loans to certain consolidated organizations and government corporations through the Financing Fund.

FINANCEMENT-QUÉBEC

Financement-Québec is a government-owned corporation that borrows on financial markets to meet the needs of institutions of the health and education networks to fund their capital investments.

- These organizations thus enjoy lower borrowing costs.
- The Québec government guarantees the borrowings of Financement-Québec.

FINANCING PROGRAMS
(MILLIONS OF DOLLARS)

QUÉBEC GOVERNMENT

	2009-2010[P]	2010-2011[P]	2011-2012[P]
CONSOLIDATED REVENUE FUND			
Net financial requirements[1,2]	4 443	5 155	4 050
Repayments of borrowings	6 205	3 658	6 307
Change in cash position	8 161	3 855	—
Retirement Plans Sinking Fund, other plan assets and funds dedicated to employee future benefits - Deposits	112	—	—
Transactions under the credit policy[3]	3 288	—	—
Pre-financing	5 855	—	—
TOTAL - CONSOLIDATED REVENUE FUND	9 742	4 936	10 357
FINANCING FUND	2 415	4 500	4 000
FINANCEMENT-QUÉBEC	3 318	3 500	3 500
TOTAL	15 475	12 936	17 857

HYDRO-QUÉBEC

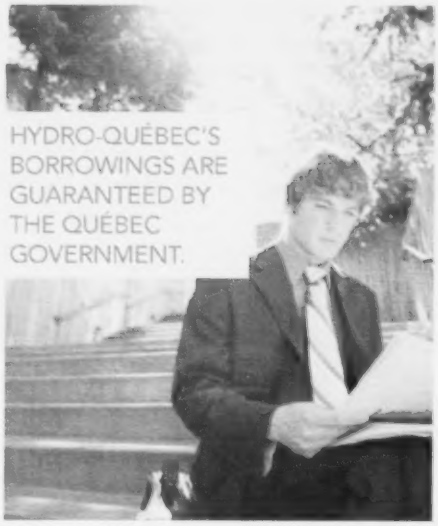
2009	2010	2011
4 207	1 738	3 500

Note: A negative amount indicates a source of financing and a positive amount, a financial requirement.
P. Preliminary results for 2009-2010 and forecasts for subsequent years.
1. Excluding consolidated entities.
2. Net financial requirements are adjusted to reflect non-receipt of RPSF and FCMA revenue.
3. Under its credit policy, which is designed to limit counterparty risk, the government made disbursements of $3 288 million in 2009-2010 following exchange rate movements. These payments have no effect on the debt. In 2008-2009, the government received $3 792 million.

SHORT-TERM FINANCIAL INSTRUMENTS
(MILLIONS OF DOLLARS)

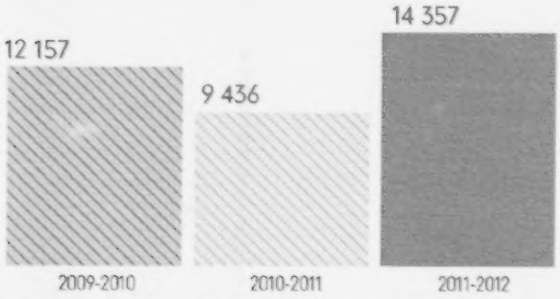
PROGRAM	MARCH 31, 2010
Canadian market	
Discount term notes	5 000
Notes at par	1 000
American market[1]	
Commercial paper	3 047
European market[1]	
Commercial paper	1 016
Subtotal	10 063
Syndicated line of credit[1]	3 555
Bank line of credit	1 165
TOTAL	14 783

1. Translated into Canadian dollars at the March 31, 2010 exchange rate.



HYDRO-QUÉBEC'S BORROWINGS ARE GUARANTEED BY THE QUÉBEC GOVERNMENT.

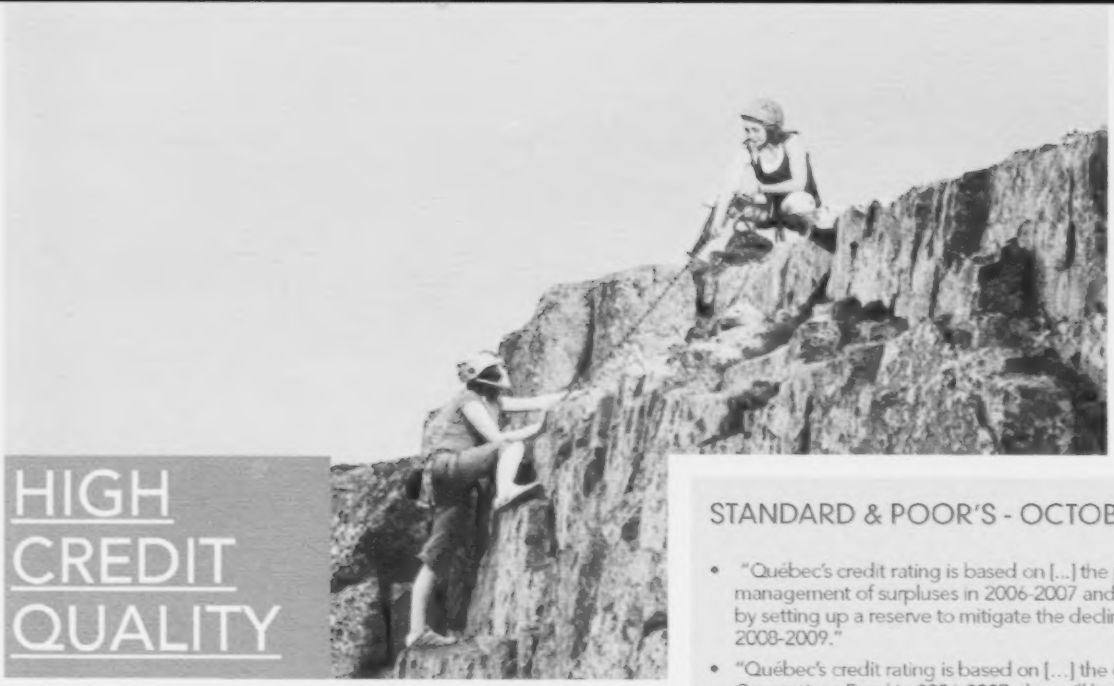
FINANCING PROGRAM
CONSOLIDATED REVENUE FUND AND FINANCING FUND[P]
(MILLIONS OF DOLLARS)



P. Preliminary results for 2009-2010 and forecasts for subsequent years.

FINANCING PROGRAM
FINANCEMENT-QUÉBEC[P]
(MILLIONS OF DOLLARS)

P. Preliminary results for 2009-2010 and forecasts for subsequent years.



HIGH CREDIT QUALITY

CREDIT RATINGS

In 2006, two rating agencies raised Québec's credit rating.

- Moody's raised it twice.
  - In June, it went from A1 to Aa3.
  - In November, it was raised to Aa2.
- DBRS raised the rating from A to A (high) in June.

STANDARD & POOR'S - OCTOBER 2009

- "Québec's credit rating is based on [...] the prudent management of surpluses in 2006-2007 and in 2007-2008 by setting up a reserve to mitigate the decline in revenue in 2008-2009."
- "Québec's credit rating is based on [...] the creation of the Generations Fund in 2006-2007, that will be used exclusively to repay the debt."

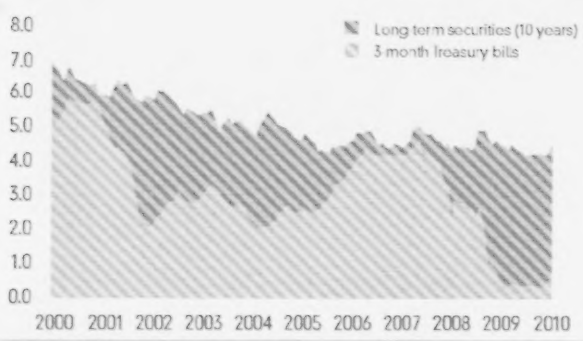
MOODY'S - AUGUST 2009

- "The government's plan to restore fiscal balance by 2013-2014 is of key importance for the credit rating."
- "Maintaining payments to the Generations Fund demonstrates the government's commitment to reduce the debt burden."

CREDIT RATINGS

AGENCY	RATING
Moody's	Aa2
Standard & Poor's (S&P)	A+
Dominion Bond Rating Service (DBRS)	A (high)
Fitch Ratings (FITCH)	AA-
Japan Credit Rating Agency (JCR)	AA+

YIELD ON QUÉBEC SECURITIES
(PER CENT)

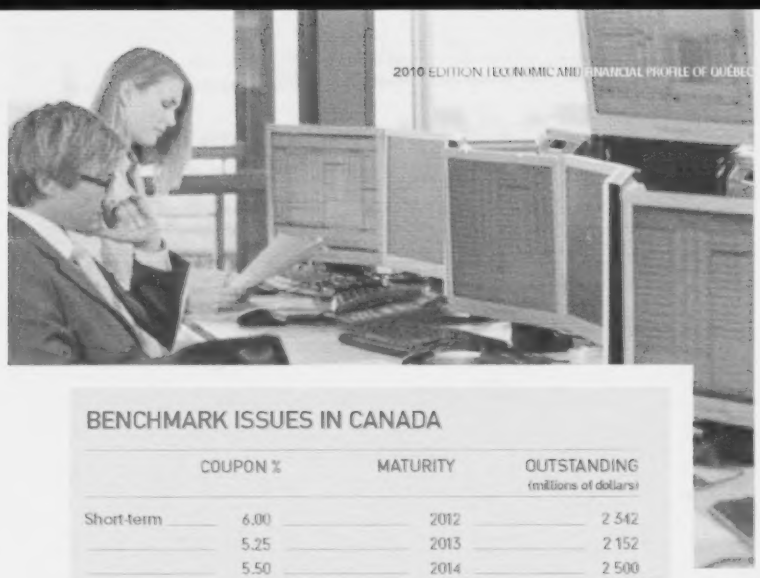


SOURCE: PC-BOND AND MINISTÈRE DES FINANCES DU QUÉBEC

YIELD SPREAD ON LONG-TERM (10-YEAR) SECURITIES
(PER CENT)

SOURCE: PC-BOND

A MAJOR ISSUER ON THE CANADIAN MARKET



HIGHLY LIQUID PUBLIC OFFERINGS

Public offerings form the majority of the government's transactions on the Canadian market.

To foster the liquidity of its securities, the government sets benchmark issues and increases their size until the amount outstanding is optimal.

DIVERSIFICATION BY MATURITY

Québec borrows at all maturities on the Canadian market. In recent years, where market conditions have been favourable, Québec has floated a number of very long-term issues. To date, the longest maturity for a Québec security is in 2076.

In 2009-2010, borrowings amounting $2.2 billion were made for maturities ranging from 2038 to 2065.

A STABLE MATURITY SCHEDULE

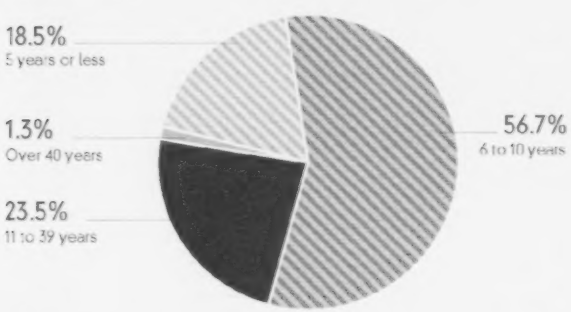
DIVERSIFYING BORROWINGS BY MATURITY RESULTS IN A SMOOTH REFINANCING SCHEDULE, WHICH ENSURES A REGULAR PRESENCE ON FINANCIAL MARKETS.

THE AVERAGE MATURITY OF THE DEBT IS 11 YEARS.

BENCHMARK ISSUES IN CANADA

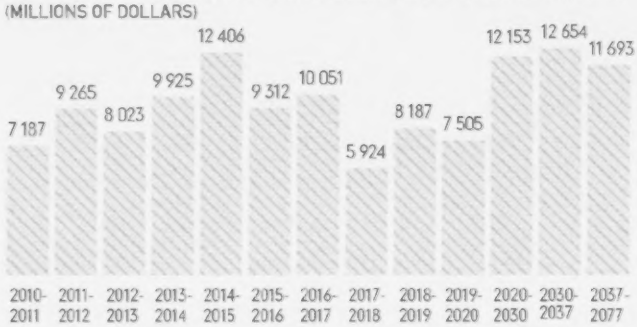
	COUPON %	MATURITY	OUTSTANDING (millions of dollars)
Short-term	6.00	2012	2 542
	5.25	2013	2 152
	5.50	2014	2 500
Medium-term	5.00	2015	2 500
	4.50	2016	3 000
	4.50	2017	4 000
	4.50	2018	4 000
	4.50	2019	4 500
	4.50	2020	1 500
Long-term	9.375	2023	2 202
	6.00	2029	2 737
	6.25	2032	4 200
	5.75	2036	4 083
	5.00	2038	5 000
	5.00	2041	3 000
Very long term	5.00	2051	420
	Various	2056	1 500
	6.70	2062	150
	Various	2065	585
	6.35	2065	940
	Various	2076	500

BORROWINGS COMPLETED IN 2009-2010[P] BY MATURITY



P: Preliminary results.

MATURITY OF THE LONG TERM DEBT AS AT MARCH 31, 2010[P]
(MILLIONS OF DOLLARS)



P: Preliminary results.
Note: Direct debt of the Consolidated Revenue Fund, debt contracted to make advances to the Financing Fund and debt of Financement-Québec.

A REGULAR PRESENCE ON INTERNATIONAL MARKETS

DIVERSIFICATION BY MARKET

Financing transactions are carried out regularly on major international markets, i.e. in the United States, Europe and Asia.

Large issues are floated to ensure good liquidity.

Over the last ten years, on average, almost one quarter of borrowings were in foreign currencies.

A LARGE NUMBER OF ISSUES ON INTERNATIONAL MARKETS

In 2009-2010, the government turned to international markets for 18.7% of its borrowings.

Borrowings were carried out in three currencies:

- two borrowings for a total of 1 575 million euros in April 2009 and March 2010 (CAN $2 496 million);
- two borrowings for a total of ¥16 000 million in April 2009 (CAN $197 million);
- a borrowing for 200 million Swiss francs in December 2009 (CAN $206 million).

LONGSTANDING PRESENCE ON FOREIGN FINANCIAL MARKETS

Québec's presence on foreign financial markets dates back to the late 19th century, more specifically London in 1874.

Five years later, a borrowing was carried out on the American market.

The Québec government maintains long-term relations with its financial partners. To facilitate diversification of its sources of financing, the Québec government promotes its securities through:

- the preparation of promotional materials;
- the organization of meetings with investors;
- the involvement of banks and brokerage firms in its promotional activities.

ISSUES IN US DOLLARS

COUPON %	MATURITY	OUTSTANDING (millions of US$)
6.125	2011	1 000
4.875	2014	1 000
4.60	2015	1 000
5.00	2016	1 250
5.125	2016	1 500
4.625	2018	1 000
7.50	2025	1 000
7.125	2024	1 000
7.50	2029	1 500

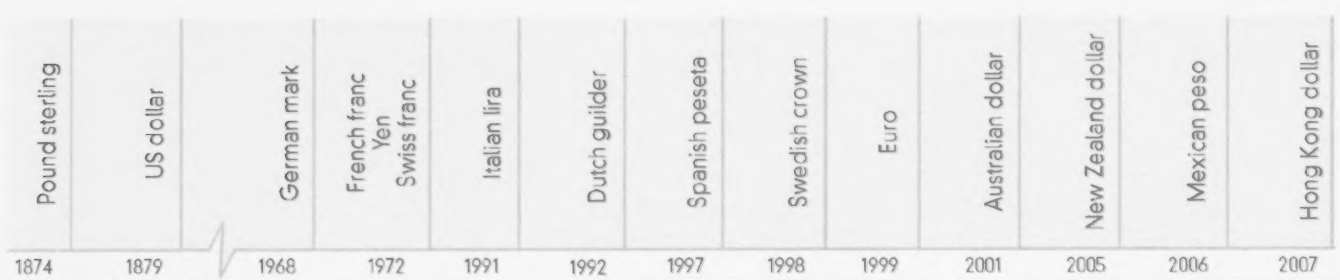
ISSUES IN EUROS

COUPON %	MATURITY	OUTSTANDING (millions of euros)
5.625	2011	1 500
4.25	2013	1 000
3.625	2015	1 500
3.375	2016	1 500
4.75	2018	1 250
5.00	2019	1 500

ISSUES IN OTHER CURRENCIES

MARKET	COUPON %	MATURITY	OUTSTANDING (millions of currency units)
SWISS FRANC	3.50	2014	250
	3.125	2015	350
	2.25	2015	500
	2.625	2017	500
	3.375	2018	250
	3.875	2018	200
	2.875	2021	200
YEN	1.60	2013	50 000
AUSTRALIAN $	5.75	2015	450
NEW ZEALAND $	6.75	2015	300
MEXICAN PESO	8.27	2016	1 500
HK $	4.30	2012	750

DATE OF THE FIRST QUÉBEC BOND ISSUES
(BY CURRENCY)



DEBT MANAGEMENT

DEBT

THE GOVERNMENT'S GROSS DEBT INCLUDES THE DIRECT DEBT, THE NET LIABILITY UNDER THE RETIREMENT PLANS AND THE NET LIABILITY FOR EMPLOYEE FUTURE BENEFITS. THE GROSS DEBT IS REDUCED BY THE AMOUNTS ACCUMULATED IN THE GENERATIONS FUND.

PRELIMINARY RESULTS SHOW THAT THE GROSS DEBT STOOD AT $160.1 BILLION AS AT MARCH 31, 2010, EQUIVALENT TO 53.2% OF GDP.

MINIMIZE COST AND RISK

The government's debt management strategy seeks to minimize the cost of the debt while limiting the risk tied to fluctuations in exchange rates and interest rates.

- Borrowings are made where funds are available, at the lowest possible cost.
- Interest rate and currency swaps are used to achieve the desired debt proportions, i.e.:
  - by currency;
  - at fixed and floating rates.

Debt management allows the government to achieve substantial savings on debt service.

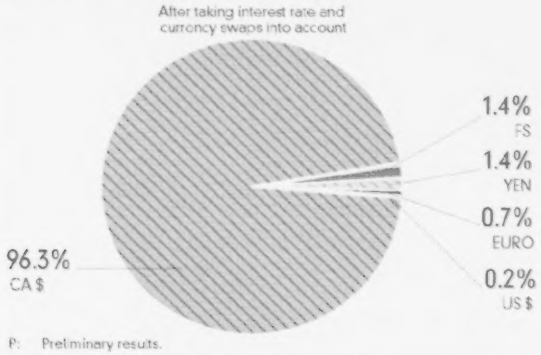
THE GOVERNMENT'S GROSS DEBT AS AT MARCH 31, 2010[P]

(BILLIONS OF DOLLARS)

Direct debt	134.0
Net retirement plans and employee future benefits liability	28.8
Less: Amount accumulated in the Generations Fund	-2.7
GROSS DEBT	160.1

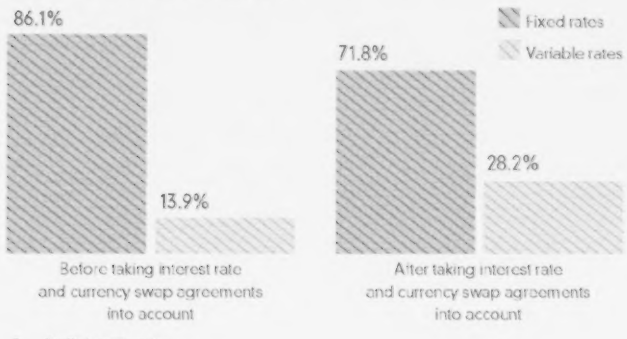
P: Preliminary results.

STRUCTURE OF GROSS DEBT BY CURRENCY AS AT MARCH 31, 2010[P]



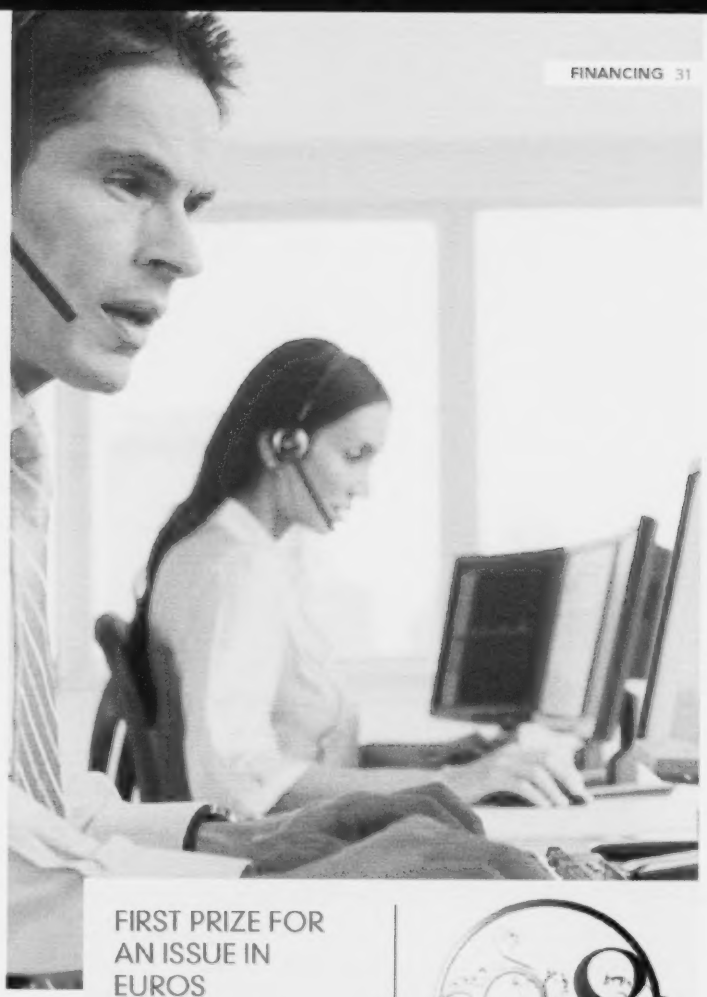
P: Preliminary results.

STRUCTURE OF THE GROSS DEBT BY INTEREST RATE AS AT MARCH 31, 2010[P]



P: Preliminary results.

AN ONGOING AND RECOGNIZED PRESENCE ON INTERNATIONAL MARKETS



RECOGNITION BY INTERNATIONAL FINANCIAL MARKETS

The financial magazine Euroweek has awarded prizes for transactions Québec carried out in U.S. dollars and in euros in 2001, 2002, 2003, 2005, 2008 and 2009.

Québec's issue in Swiss francs in 2005 earned a prize from the International Financing Review.

In addition to winning third place in the "sub-sovereign/municipal" issuer category in 2009, from the highly-regarded financial magazine Euroweek, Québec's April 2009 issue in euros was very well received by the market. This is shown by comments taken from the April 24, 2009 issue of Euroweek magazine:

" ... an impressive outing for Québec. They had an order book of over Eu2bn for a Eu1.5bn issue... ";

" ... they benefited from a strong market, strong name recognition (...) a very successful 10 year".

FINANCING ACTIVITIES FACILITATED IN CERTAIN COUNTRIES

Under the standards stemming from the Basel II Agreement, foreign regulatory authorities can assign a 0% risk weight coefficient to Québec securities.

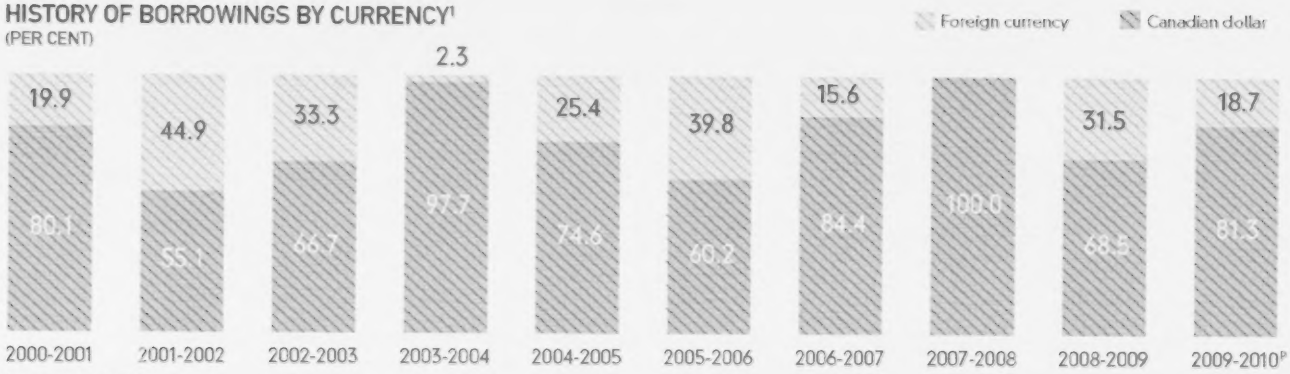
To date, Germany, Australia, Belgium, Denmark, Finland, France, Hungary, Ireland, Italy, Luxembourg, Norway, the Netherlands, the Czech Republic, the United Kingdom and Sweden have assigned a 0% risk weight coefficient to Québec securities.

FIRST PRIZE FOR AN ISSUE IN EUROS

Québec's April 2008 issue in euros was awarded the top prize in the "sub-sovereign/municipal" issuer category by Euroweek financial magazine.

EUROWEEK AWARDS

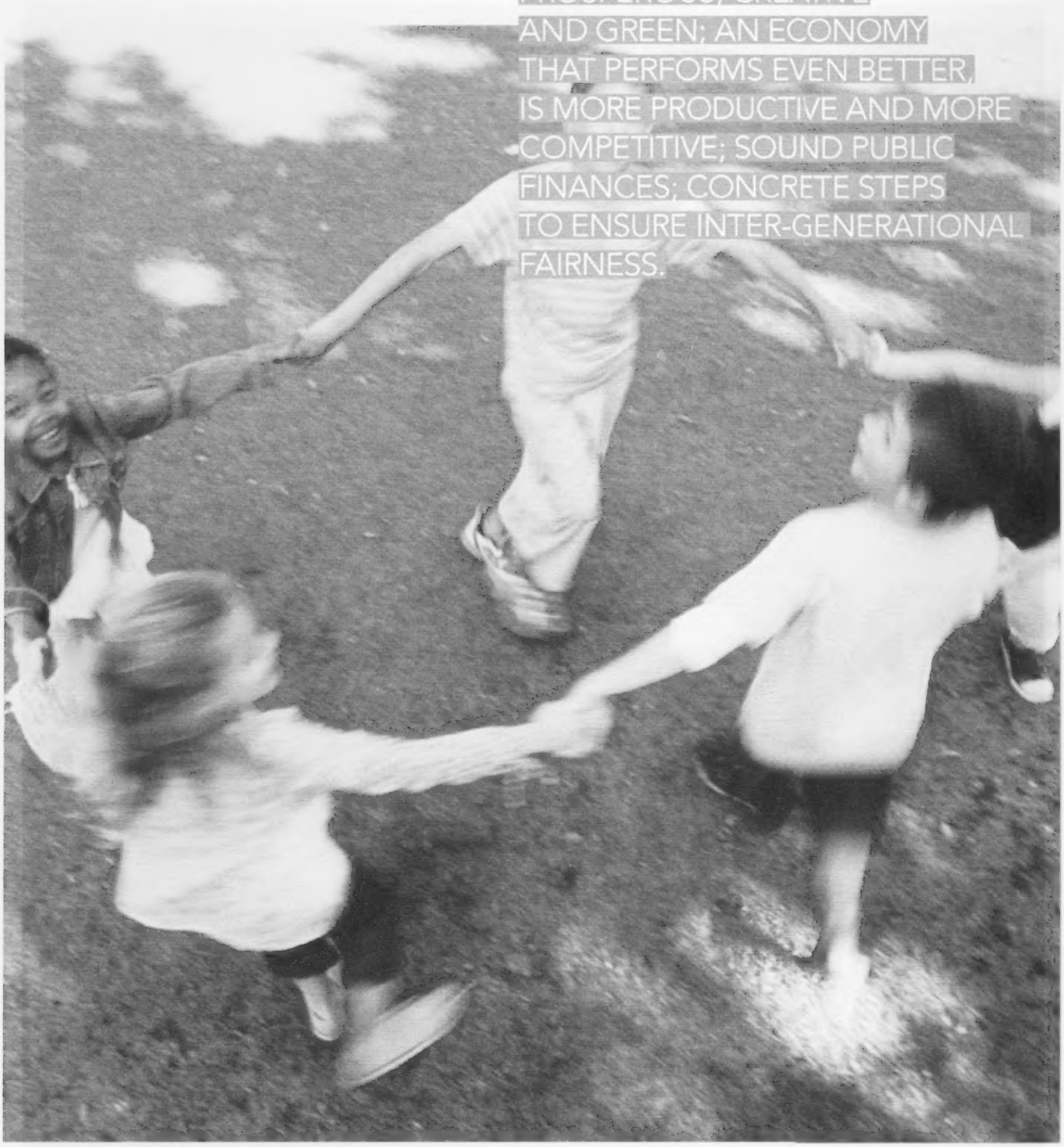
HISTORY OF BORROWINGS BY CURRENCY[1]
(PER CENT)

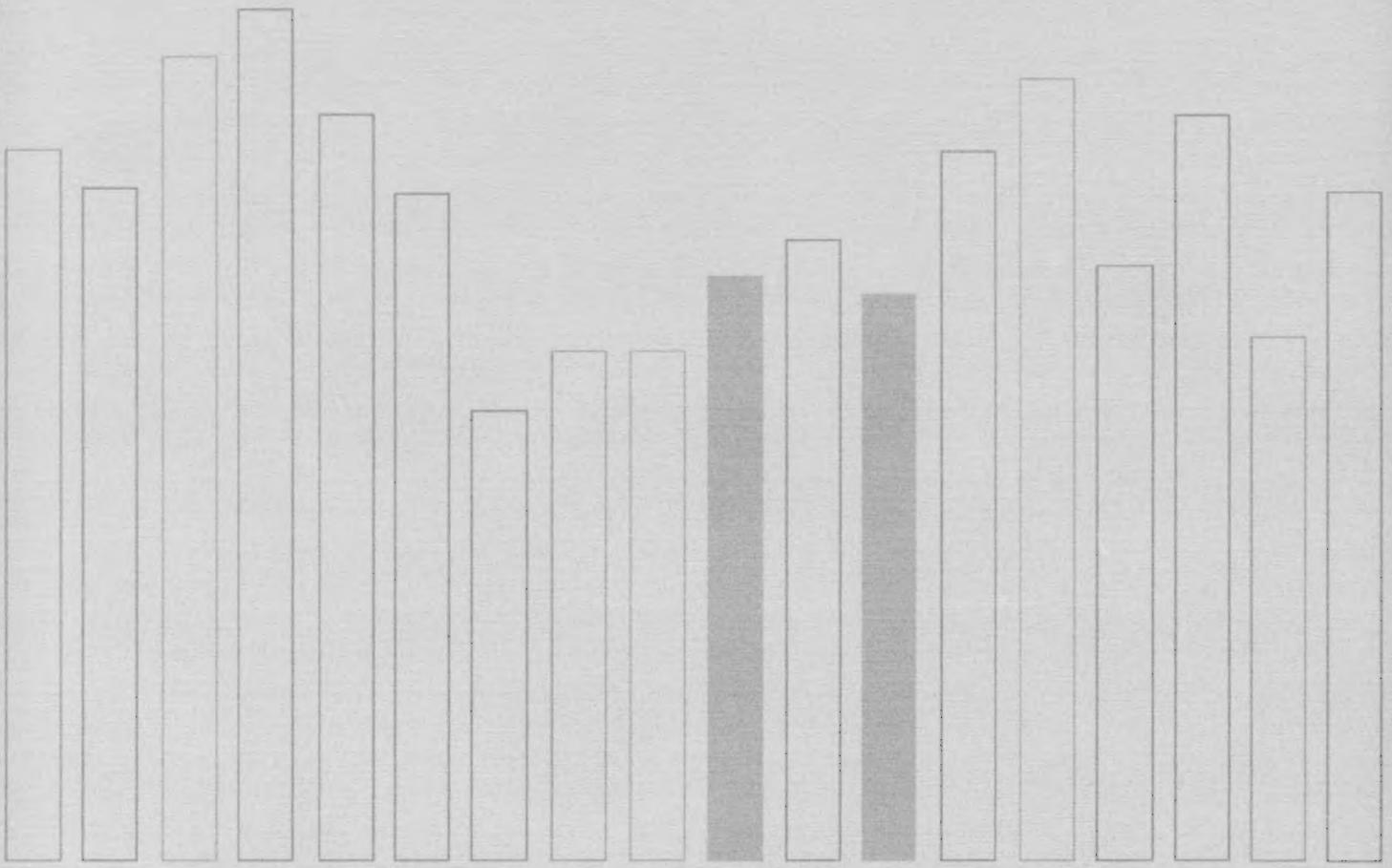


P: Preliminary results.
1: Borrowing of the Consolidated Revenue Fund, borrowings for the Financing Fund and borrowings of Financement-Québec.

TOMORROW'S QUÉBEC

PROSPEROUS, CREATIVE AND GREEN; AN ECONOMY THAT PERFORMS EVEN BETTER, IS MORE PRODUCTIVE AND MORE COMPETITIVE; SOUND PUBLIC FINANCES; CONCRETE STEPS TO ENSURE INTER-GENERATIONAL FAIRNESS.





Finances
Québec